

Form 1937-A (Rev. 6-80) (Correspondence Approval and Clearance) U.S. GOVERNMENT PRINTING OFFICE: 1980 - 107-000-217-001-107-001

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Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated [REDACTED], under the non profit laws of the State of [REDACTED]. According to Article Third of your Articles of Incorporation, the purposes for which you are organized are:

- "(A) To promote and foster fraternal business relations among the hotel and motel interests of the territory embraced by the Association;
- (B) To protect hotel and motel interest against unfair or pernicious legislation, and to promote legislation favorable thereto;
- (C) To encourage tourist travel generally, and especially to all territory embraced by the Association;
- (D) To promulgate matters of interest to those engaged in the hotel and motel and those with whom they have business association or dealings."

Article III of your Bylaws states that you shall have three classes of members. The qualifications and rights of each class shall be as follows:

"Any licensed lodging establishment owner or operator will be eligible for membership in this Association with each property having but one vote, provided the business is located in [REDACTED] County, pays a yearly membership fee, and collects [REDACTED] Tax.

Associate members who are in a business related to the Association may be accepted for non-voting membership for a yearly fee.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname		[REDACTED]					
Date		3-8-91					

[REDACTED]

Honorary members are any individual or licensed business owner/operator in [REDACTED] County who have devoted time and energy to the success of lodging in [REDACTED] County and have a reciprocal relationship with the [REDACTED], who are elected by a majority of voting members duly notified of a general meeting at a general meeting to full voting membership for a yearly fee.

Honorary Associate members are any individual or licensed business owner/operator in [REDACTED] County who have devoted time and energy to the success of lodging in [REDACTED] County and have a reciprocal relationship with [REDACTED] who are elected by a majority of voting members duly notified of a general meeting at a general meeting to non-voting, non-dues paying membership."

Statements furnished with your Form 1024 indicate that you conduct as a major activity each year, a cooperative marketing effort to promote the [REDACTED] County, [REDACTED] area as a travel/tourism destination. You produce an annual Hospitality Guide and a travel planner for travel agents; place group advertisements; participate in numerous travel shows across the U.S. and Canada; and mail out press releases to newspapers and magazines.

In response to our letter dated [REDACTED], you stated that in addition to the listing of properties, the Hospitality Guide emphasizes the area's attractions through editorial, a calendar of annual events, and photographs. It is your position that the entire area is promoted for tourism which is very much in line with your definition of improvement of business conditions. You state that tourism is the principal industry in [REDACTED] County. It is your contention that by promoting all the attractions, the Hospitality Guide improves business for the retail business and recreational companies (shops, galleries, rafting companies, guiding outfits, grocery stores, and gas stations).

Your sources of support for your activities are membership assessments, [REDACTED] County Lodgers tax contribution from [REDACTED] County, membership dues, interest earned, and assessment for publication of the Hospitality Guide based on the size of member's properties.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards

[REDACTED]

of trade,\*\*\*, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.\*\*\*"

Revenue Ruling 65-14, 1965-1 C.B. 236, holds that an organization formed to promote the tourist industry in its area, whose principal activity is publishing a tourist guidebook and other advertising matter containing listings of the names of individual members, is performing particular services for its members and is accordingly not exempt under Internal Revenue Code section 501(c)(6).

Revenue Ruling 64-315, 1964-2 C.B. 147, holds that an association of merchants that engages in advertising which contains the names of member merchants and their merchandise is performing particular services for members rather than improving the business conditions generally, and is not exempt from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 61-170, 1961-2 C.B. 112, holds that an organization of professional nurses primarily engaged in the operation of a nurses' registry to provide employment opportunities for members did not qualify for exemption under section 501(c)(3) or 501(c)(6) of the Code. Exemption under section 501(c)(3) was denied because the organization's activities primarily served a private rather than a public benefit. Its primary activities were neither charitable nor educational. Exemption under section 501(c)(6) was denied because the organization primarily engaged in the performance of particular services for individuals rather than the promotion of business

[REDACTED]

generally.

Revenue Ruling 74-308, 1974-2 C.B. 168, states in part that an organization engaged in the referral of persons to tow truck operators is not exempt under section 501(c)(6) of the Code because it was providing the organization's members with an economy and convenience in the performance of their individual businesses.

Revenue Ruling 80-287, 1980-1 C.B. 186, describes a non profit lawyer referral service which arranges at the request of any member of the public an initial half hour appointment for a nominal charge with a lawyer whose name is on an approved list maintained by the organization. The referral service is not exempt under section 501(c)(3) of the Code, but is exempt as a business league under section 501(c)(6).

It is evident from the data furnished with your application that the primary purpose of activity of your organization has been the advertisement of members' businesses rather than primarily engaging in activities for the improvement of business conditions within the lodging industry as a whole. Even though you feel you meet the requirements of section 501(c)(6) because of your participation in trade shows, it is concluded that your activities are devoted to the advertisement of members' businesses.

Accordingly, we hold that you are organized and operated primarily for the purpose of performing particular services for your members through advertisement of individual businesses, thus, you do not qualify for exemption under section 501(c)(6) of the Code. Therefore, you are required to file Federal income tax returns on Form 1120.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6013 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

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[REDACTED]

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]  
District Director

Enclosures:  
Publication 392  
Form 5013